



GARLAND

INTERNAL AUDIT

Firewheel Internal Control Audit

December 16, 2015

Report 201504

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Overall Conclusion

Firewheel Golf Course has made progress with regards to TABC-related items and improving internal policies and procedures which were previously noted in prior audit reports. However, there are still areas for improvement related to:

- The oversight and reconciliation of tournaments and events
- Segregation of duties for tournaments/events
- Contract management for tournaments and events
- Payroll concerns related to minimum wage and employee rate change processing
- Cash handling policies and procedures
- Tracking and monitoring of compensation rounds
- Prompt completion of employee background checks and verification of TABC certificates
- Reconciliations of alcohol overages/shortages
- Supplementing internal policies and procedures to include information related to deposits, outside servers, etc.

Authorization

We have conducted an audit of Firewheel Internal Controls. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter. An audit follow-up was originally approved on the Annual Audit Plan approved by the Garland City Council, however discussions were held with both the City Manager and Managing Director of Firewheel and approval was given from the Audit Committee Chairwoman to expand the scope.

Objective(s)

The objectives of this audit were to:

1. Determine if Firewheel Golf Park is in compliance with its policies and procedures in relation to Food and Beverage and Tournament Sales.
2. Identify and analyze Club Prophet's access rights.
3. Determine the effectiveness of cash handling policies and procedures.
4. Determine if Firewheel Golf Park is in compliance with TABC rules and regulations.

Scope and Methodology

IA conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit was from FY2014 – September 30, 2015 with the exception of TABC-related items. Since we recently performed a follow-up audit in this area, the scope for TABC-related items was from September 15, 2014 – September 30, 2015. Due to issues found during our audit, IA decided to expand on our original scope to include Payroll information for employees for the time period of January 1, 2015 – September 30, 2015.

To adequately address the audit objectives and to describe the scope of our work as part of the methodology, IA performed the following:

- Reviewed tournament/event contracts, policies, invoices and payments (Obj. 1, 2, 3, 4)
- Reviewed Firewheel's current policies and procedures (Obj. 1, 2, 3)
- Interviewed employees about their duties and responsibilities (Obj. 1, 4)
- Reviewed alcohol and food and beverage invoices and transfers (Obj. 1, 4)
- Observed current inventory processes (Obj. 1, 4)
- Consulted with City Attorney's office for Texas Alcoholic Beverage Commission (TABC) and compensation rounds (Obj. 1, 4)
- Reviewed the daily tip reporting documents (Obj. 1)
- Obtained and reconciled tournament/event contracts to the Point of Sale (POS) records (Obj. 1)
- Reviewed personal action forms (PAFs), payroll check stubs and adjustments (Obj. 1)
- Observed the payroll process within QuickBooks (Obj. 1)
- Reviewed employee access rights to Club Prophet system (Obj. 2)
- Reconciled revenue between Club Prophet, QuickBooks and bank (Obj. 2, 3)
- Performed surprise cash counts at Branding Iron, Grill 64 and both Pro Shops (Obj. 3)
- Reviewed policies and procedures regarding tips (Obj. 3)
- Analyzed discounted/compensation rounds (Obj. 3)
- Analyzed current cash handling policies and procedures (Obj. 3)
- Examined TABC Codes and Rules and test for compliance (Obj. 4)

- Reviewed weekly inventory and spoilage sheets (Obj. 4)
- Obtained prior Mixed Beverage Gross Receipts Tax filings by Finance and supporting documentation (Obj. 4)
- Observed TABC permits and alcohol inventory and storage processes (Obj. 4)
- Obtained background checks and TABC certifications (Obj. 4)

To assess the reliability of reports produced by Firewheel's Point of Sale (POS) System, IA interviewed multiple individuals at Firewheel regarding their processes, reviewed source receipts, invoices, contracts and reports and conducted a surprise cash count. To assess the reliability of reports produced by Finance's System, IA reviewed the system entries and supporting documentation such as deposit slips. As a result of our testing, IA determined that all of the above data was sufficiently reliable for the purposes of this report.

Based on the audit work performed, any deficiencies in internal control that are significant within the context of the audit objectives are stated in the Opportunities for Improvement section on page 6.

Background

"The Firewheel Golf Course is a premier facility that originally offered two 18-hole courses. In September 2001, 27 additional holes were added along with a second clubhouse, pro shop, driving range, and practice facility.

The City has "complete financial and operational responsibility of all aspects of the Golf Park, including the Branding Iron restaurant and Grill 64 snack bar which serve alcoholic beverages. To provide liability protection to the City, the mixed beverage permits from the Texas Alcoholic Beverage Commission (TABC) were acquired by the Garland Foundation for Development Corporation (GFDC). To meet the TABC's permit requirements, all food and beverage services at the Golf Park must be provided under the GFDC." ¹

"The Garland Foundation for Development, Inc. (GFDC) was organized to aid, assist, and act on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, and to promote, develop, encourage and maintain government facilities, public works projects, commerce and economic development in the City.

All powers of GFDC are vested in a Board of Directors consisting of all members of the City Council, three of which are Officers ³. Each Officer shall serve a term commensurate and concurrent with the term of office the respective City Council member then holds, or until his or her successor is appointed by the City Council of the City; provided, however, upon the

death or resignation or removal of an Officer, the City shall appoint a replacement Officer to serve for the unexpired term of offices, if any, of the replaced Officer. The Mayor of the City is the President.”²

Source:

¹ The City of Garland 2015-16, Annual Operating Budget

² GFDC Articles of Incorporation

³ Number of Officers from most recent Change in Corporate Control, filed 8/13/2013

Management Accomplishments*

The previous 12 months brought many unique weather related challenges to Firewheel including a major flooding event that had a negative impact on course conditions, play, and monthly revenues. Even though the course incurred significant damage due to the flood, several of our courses were back open within few days as others remained closed for most of the summer. Firewheel employees have been relentless at maintaining our facility at a best in class standard. Our hard work and attention to detail became evident as The Bridges Course was recently recognized by Avid Golfer Magazine as having the best Bent Grass Greens in the DFW area and was ranked the third best premium golf course for play. The Bridges Course was also selected to host several prestigious golfing events during 2015 including a PGA Tour qualifying event and an Adams Pro Tour event. The Old/Lakes Course at Firewheel was ranked third best in the Avid Golfer mid-price category and hosted over 100 tournaments and related activities.

The Firewheel Complex also hosted many corporate events including a large Cinemark Corporate outing. The Cinemark event was one of the largest events ever held at Firewheel, it included over 400 tournament players and hundreds of volunteers many of which were visiting for the first time from out of state. For 2016, Firewheel has already secured a number of large tournaments as well as the Texas Golf Association and the Ladies Mid AM Championship events.

The final quarter of fiscal year 2014/15 was a very positive quarter for Firewheel. The organization closed the fiscal year by experiencing one of the most profitable quarters in recent history. We are excited about the future and fully expect this positive trend to continue.

*Please note that "Management Accomplishments" are written by the audited entity and that Internal Audit did not audit or verify its accuracy.

Opportunities for Improvement

During our audit we identified certain areas for improvement. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

FINDING #1 (OBJ. 4)

CONDITION (THE WAY IT IS)

Texas Alcoholic Beverage Commission (TABC) Related Items:

1. In 9 out of 10 (or 90%) weekly alcohol inventory records reviewed, (**See Exhibit A**) there were significant alcohol inventory overages and shortage at both the Branding Iron and Grill 64, ranging from an overage of \$890 to a shortage of \$172 for beer, wine and liquor. While spillage is recorded in Club Prophets Point of Sale (POS), it does not amount to the entire variance. There is no reconciliation of the overall variances found during the weekly alcohol inventories conducted by the Food & Beverage Manager.
2. An alcohol inventory and reconciliation is not regularly performed by the Business Operations Manager.
3. There was a tax-free alcohol sale recorded in the amount of \$2,971 for the month of June 2015. No sales of alcohol should be tax-exempt.
4. Out of the 11 background checks reviewed, 10 (or 91%) were not completed prior to an employee's start date. **See Exhibit A.** Of these, the delay date ranged from 2 days to 44 days late. One was still not completed as of the date of last request; 58 days after hire.
5. Out of the 12 employees reviewed for valid TABC certificates, three (or 25%) were not issued within 30 days of their hire date. **See Exhibit A.** One was still not obtained as of the date of last request; 109 days after hire.
6. TABC Checklist is not being utilized (as recommended in TABC Follow-up from September 2014).

<p>CRITERIA (THE WAY IT SHOULD BE)</p>	<ol style="list-style-type: none"> 1. Variances in alcohol inventories should be reconciled and documented to the best of the Food and Beverage Manager's abilities. All unreconciled variances should be reported during the weekly staff meetings. If issues persist, more controls may have to put in place to monitor spoilage/loss. 2. Per Firewheel's policies and procedures, the Business Operations Manager should be conducting regular surprise inventory counts. All variances between the POS system and the physical count should be researched. 3. A mixed beverage sales tax is imposed on each mixed beverage (distiller spirits, beer, ale and wine) sold, prepared or served by a mixed beverage permittee in Texas. This tax can pass to the customer by adding a line to the receipt or including the sales tax in the sales price. This must be monitored and reported to TABC monthly in order to pay the Mixed Beverage Gross Receipts Tax. 4. The facility should be waiting to employ personnel until their background check has been completed. Issues which need further research should be completed. 5. TABC Code Sec. 106.14 states, "the actions of an employee shall not be attributable to the employer if: (1) the employer requires its employees to attend a commission approved seller training program; (2) the employee has actually attended such a training program; and (3) the employer has not directly or indirectly encouraged the employee to violate such law." Training programs are monitored by the TABC Commission to determine if the schools are presenting the programs as approved and certified by the TABC. GFDC's Alcohol Serving Agreement requires a TABC certification within 30 days of their hire date. 6. In order to track all of the various TABC-required items (background checks, surprise inventory counts, TABC certifications, etc.), a checklist should be completed by management quarterly.
<p>EFFECT (SO WHAT?)</p>	<ol style="list-style-type: none"> 1. – 3. In order to adequately report alcohol sales as part of the Mixed Beverage Gross Receipts Tax, an accurate inventory reconciliation needs to occur. Based on TABC

Code Sec. 28.18, if alcohol sales constitute more than half of gross receipts, GFDC may lose their Mixed Beverage Permit. In addition, alcohol sales were not monitored correctly, leading to the Mixed Beverage Gross Receipts Tax being incorrectly reported for June 2015.

4. While there is a clause in Firewheel's policies and procedures stating that employment may be terminated based on the results of a background check, there is still a risk that GFDC may be employing personnel who have a prior criminal record.
5. If an illegal sale is made by an employee without a valid TABC certificate, Firewheel's permit/license would have no protection from administrative action by the TABC.
6. Complying with TABC-related items is of the utmost importance, therefore it is important to ensure all items listed above (at a minimum) are included on this checklist.

**CAUSE
(DIFFERENCE
BETWEEN
CONDITION &
CRITERIA)**

1. Performing and documenting a reconciliation was not prioritized by the Food & Beverage Manager.
 2. The other duties of the Business Operations Manager have made this a lower priority.
 3. A tournament for the Society of Petroleum Engineers was categorized as tax-exempt. However, due to a system error, the entire invoice (including alcohol) was billed without tax.
 4. Due to high employee turnover, Firewheel is typically in a hurry to put someone to work and does not wait for the background check to clear. There is no designated backup to perform this function if the Business Operations Manager is unavailable.
 5. There was not sufficient monitoring to ensure new hires received a TABC certification within 30 days of their hire date.
 6. A TABC Checklist has not been developed by management since our prior recommendation.
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RECOMMENDATION

Firewheel Management should:

1. Ensure that during the weekly inventory counts, the cause of all variances should be identified and reconciled. Notes should be made into the POS regarding these variances. Any variances should be reported to management during the weekly staff meetings.
2. Ensure that periodic surprise inventory counts by an independent party are performed at least monthly. Documentation of the count and reconciliation performed should be retained. Any variances should be reported to management during the weekly staff meetings.
3. Work with the Finance department to make a correction to the June 2015 Gross Receipts Tax. Pay any additional taxes to correct this error. The Point of Sale should be updated to ensure that this error does not occur in the future.
4. Implement a process to ensure that all background checks are completed prior to when an employee starts work. Establish a designated backup to process background checks.
5. Implement a process to ensure that all TABC certificates are completed within 30 days of when an employee starts work.
6. Develop a TABC Checklist that addresses all of the above items, as well as other items deemed necessary by Firewheel management. Complete this checklist quarterly (or more frequently as deemed appropriate by management).

**MANAGEMENT
RESPONSE**

Concur

ACTION PLAN

1. Weekly inventories are now being performed and reviewed at the weekly staff meetings. All variances will be discussed and resolved appropriately.
 2. An independent party or individual will be identified to perform monthly surprise counts. The results will be documented and provided to the Director of Golf. The
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results will also be reviewed and discussed during staff meetings.

3. This issue has already been corrected by finance.
4. A back up person has been identified and will be trained in the area of background checks. New employees will not start work until the background check has been submitted.
5. Food & beverage employees will be required to complete the TABC training course during their first week of employment.
6. A TABC checklist is being developed and will include all essential TABC regulations. The checklist will be reviewed by the Director each month during a weekly staff meeting.

IMPLEMENTATION DATE

January 1, 2016

FINDING #2 (OBJ. 1)

**CONDITION
(THE WAY IT IS)****Tournament/Event Oversight Concerns:**

1. The Tournaments and Events Manager has access to book tournaments in the POS and accept payments in the POS system.
2. Contracts for tournaments/events were not appropriately authorized by the Director of Golf.
3. Deposits not retained for 39 out of 44 upcoming tournaments/events (or 85%) that were booked as of 6/15/2015.
4. No reconciliation between the tournaments/events calendar, the POS and QuickBooks was performed.
5. Firewheel management has been allowing outside servers to serve alcohol at tournaments/events by verbally confirming that servers have a TABC certificate. However, they were not verifying/retaining evidence of these TABC certificates.
6. There are no policies related to special purchases (alcohol or food) made for tournaments/events.

**CRITERIA
(THE WAY IT
SHOULD BE)**

1. The Tournaments and Events Manager does not have access to book tournaments and receive payments. (See Finding #5 for more information on how segregation of duties concerns should be addressed.)
 2. Per the Garland Foundation for Development Approval Authority policies and procedures, "the Director of Golf may sign and approve contracts and agreements...for tournaments or special events in which Firewheel Golf course is receiving payment to host."
 3. The standard Firewheel Golf course tournament/special event contract states that "a \$200 deposit will be required in order to reserve [the tournament/event] date. The deposit will be due at time of booking. The deposit is non-refundable unless...the event is cancelled 30 days prior to the event."
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4. A reconciliation between the tournament calendar, the POS and QuickBooks is performed periodically to ensure all tournaments/events have appropriate payments recorded.
 5. Any person that serves alcohol at Firewheel Golf Course should have a valid TABC certificate.
 6. The tournament/special event contract should include information about food and/or alcohol that is purchased for a specific event. Alcohol should be paid for at the time of booking or another time deemed appropriate by Firewheel management. The contract should state that payment for all alcohol ordered must be made regardless of whether or not all alcohol was used.
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**EFFECT
(SO WHAT?)**

1. Inappropriate changes/deletions to tournaments/events could be made to the POS system without management's knowledge.
 2. A tournament/event could be booked without the knowledge of Firewheel management.
 3. If a tournament/event is cancelled within 30 days of the event, any money spent to purchase items in preparation would be lost.
 4. Undeposited payments for a tournaments and/or events could go undetected.
 5. If an inappropriate sale is made by an employee without a valid TABC certificate, Firewheel's permit/license would have no protection from administrative action by the TABC.
 6. If specialty alcohol is purchased for a cancelled tournament/event, it would result in the loss equal to the purchase price due to the fact that that, based on Firewheel's policies and procedures, it cannot be sold at the Branding Iron or Grill 64.
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<p>CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)</p>	<ol style="list-style-type: none"> 1. Firewheel management was unaware of this segregation of duties concern. 2. Once the Tournaments and Events Manager was hired, the Director of Golf no longer signed contracts. 3. There were no clear standards to follow related to deposit collection and refunds. 4. Firewheel management was unaware that a reconciliation needed to be performed. 5. Firewheel management was unaware that evidence of a valid TABC certificate needed to be verified and retained. 6. Adding a clause to the contract related to the prepayment of specialty alcohol was not considered.
<p>RECOMMENDATION</p>	<p>Firewheel Management should:</p> <ol style="list-style-type: none"> 1. Restrict the Tournaments and Events Manager's access to accept payments in the POS system. In addition, access to the physical checks should be limited to the Business Operations Manager. 2. Ensure that all contracts are signed by a person that is independent from the booking of the tournaments/events. 3. Determine and document policies related to deposit collection (what customers require them, how much (% or set fee), ability to refund if tournament/event is cancelled, etc.). 4. Perform a periodic reconciliation between the tournaments/events calendar, the POS and QuickBooks in order to ensure money was deposited. 5. Make every effort to limit alcohol service to Firewheel employees. Firewheel management should consider obtaining TABC certificates for other Firewheel employees (such as golf professionals, management and/or kitchen staff) in order to help with service during large tournaments/events.

	6. Ensure that special purchases of alcohol are paid for at the time of booking or another time deemed appropriate by Firewheel management.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	<ol style="list-style-type: none"> 1. The Tournament Director will no longer enter payments into the point of sale system (POS). The Business Operations Manager will secure/receive all checks including those received in the mail and will ensure these types of payments are entered into the POS by pro shop staff. 2. The Firewheel Director of Golf now reviews and signs all tournament and event contracts. 3. An event policy addressing deposits is currently being developed. 4. Management will review and discuss weekly tournament/event activities to ensure proper billing and payments have been processed during weekly staff meetings. 5. Anyone serving alcohol will have a TABC Certificate on file at Firewheel, all full time employees will be required to have a TABC certificate. 6. Implemented a requirement that any "special purchases" of alcohol for use by an outside party is paid for the day of the event.
IMPLEMENTATION DATE	January 1, 2016

FINDING #3 (OBJ. 1)

**CONDITION
(THE WAY IT IS)****Payroll Concerns:**

1. Per Firewheel's policies and procedures and a practice called "server wage", servers are paid below minimum wage. Tip credit adjustments are made to increase wages if the hourly rate falls below minimum wage during any pay period. In one instance, an adjustment was not made to increase the wages of one individual, resulting in an \$11.31 underpayment.
2. One server had a pay increase authorized; however, there was a manual coding error by Firewheel management, resulting in an underpayment of \$299.76.
3. There were two employees that were overpaid due to payroll entry errors. One was overpaid by \$251.83 and a second was overpaid by \$152.58.
4. Personal Action Forms are not always filed and processed in an accurate and timely fashion.
5. There are multiple items Human Resource (HR) related items (Payroll, TABC certificates, background checks, etc.) that have gone uncorrected as noted in the other findings noted in this report as well as previous audits.

**CRITERIA
(THE WAY IT
SHOULD BE)**

1. Based on the Fair Labor Standards Act (FLSA), all employees must make a minimum of \$7.25/hour. If the wage falls below this amount, an adjustment should be made to increase wages.
 2. Server titles and time codes should be simplified to ensure transparency of pay rates. Appropriate review should take place.
 3. Prior to processing, payroll entry into QuickBooks should be reviewed for appropriateness.
 4. Personal Action Forms should be filed and processed in an accurate and timely fashion.
 5. All HR-related items should be managed timely and accurately.
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EFFECT (SO WHAT?)	<ol style="list-style-type: none"> 1. Employees can file claims with the Wage and Hour Division (WHD) of the Department of Labor (DOL). Violations of the FLSA can result in fines, imprisonment, or both. 2. Employees can file claims with the Texas Workforce Commission (TWC) for claims they feel were not properly paid to them. Per the TWC's website, penalties can include back pay with interest and associated attorney's fees. 3. Overpayment to two employees in the amounts of \$251.83 and \$152.58. 4. Incorrect wages may be paid and back pay may be due to Firewheel employees. 5. In addition to the items listed above, there are currently issues related to background checks and TABC certificates (noted in Finding #1). These would be mitigated with the help of a dedicated Firewheel HR staff member.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<ol style="list-style-type: none"> 1. The spreadsheet which calculated the minimum wage adjustment had an error. 2. There are many server titles, resulting in confusion between time codes and pay rates. 3. There was a manual coding error within QuickBooks, with no secondary layer of review. 4. There is large employee turnover at Firewheel. 5. There have not been the resources to have a staff member dedicated HR-related issues.
RECOMMENDATION	<p>Firewheel management should ensure:</p> <ol style="list-style-type: none"> 1. The Payroll Spreadsheet is reviewed for errors. 2. Titles for all Firewheel employees are reevaluated and consolidated.

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3. Payroll information entered into QuickBooks is reviewed for accuracy prior to paychecks being processed.

Firewheel management should consider:

4. Using the City's forms within Outlook to begin processing PAF's electronically for all employee changes. In the meantime, PAFs should be filled out completely and accurately and submitted to Payroll timely.
5. Evaluating the need for a dedicated individual (or changing an existing employee's duties) to manage HR issues at Firewheel.

MANAGEMENT RESPONSE	Concur
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ACTION PLAN	<ol style="list-style-type: none">1. Each pay period the payroll spreadsheet will be checked against the time clock before it is submitted to payroll for processing.2. All employees are now paid at least minimum wage, have been assigned only one job title and pay rate.3. A review procedure has been implemented, consisting of the Payroll Supervisor agreeing paycheck information (hours, tips, gratuities entered, etc.) to the payroll spreadsheet, for each individual paycheck, every pay date. Any discrepancies would be brought to the Payroll Specialist for correction prior to checks being sent to the Managing Director for signature.4. PAF forms are now being filled out completely and accurately and we are reviewing other options such as electronic formatting.5. Management is considering the addition of an employee dedicated to Human Relations. Will discuss options related to securing additional assistance from the HR department.
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IMPLEMENTATION DATE	<ol style="list-style-type: none">1, 2, 4, 5 – January 20163. October 16, 2015
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FINDING #4 (OBJ. 3)	
CONDITION (THE WAY IT IS)	<p>Currently, free rounds of golf are given to volunteers who function as starters, marshals, etc. on the courses. These are called compensation rounds.</p> <p>However, based on rulings by the Department of Labor (DOL), they generally find that payment of less than 20% of the amount that otherwise would need to be paid to hire someone full-time for the same services is considered a nominal fee. Thus a volunteer may be considered to be an employee if paid more than 20% ("the "20% Rule"). (Wage and Hour Division Opinion Letters FLSA 2008-15 (Dec. 18, 2008) and FLSA 200628 (Aug. 7, 2006).)</p> <p>Compensation Rounds are being provided to volunteers without proper tracking of hours worked, rounds taken, or times rounds are played, therefore, it is impossible to track whether we are complying with the DOL's rulings on this matter. However, it should be noted that 9 volunteers each received over 100 compensations rounds from October 1, 2013 – June 2015, one of whom received 419 rounds of golf.</p>
CRITERIA (THE WAY IT SHOULD BE)	<p>Compensation rounds are tracked in order to ensure that volunteers are compensated less than 20% of the amount they would be otherwise paid for the same services.</p>
EFFECT (SO WHAT?)	<p>The Internal Revenue Service has ordered several golf courses to pay back wages to starters and rangers who were compensated with free rounds of golf instead of pay.</p> <p>Additionally, if one of these volunteers is injured on the course, there is also a liability issue as both the employee and employer are protected by worker's compensation.</p>
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<p>Tracking of compensation rounds to hours worked was not considered.</p>

RECOMMENDATION	<p>Firewheel management should:</p> <ul style="list-style-type: none"> • Increase oversight and tracking of compensation rounds in order to comply with Department of Labor's "20% rule". • Update the policies and procedures to include guidance related to compensation rounds. <p>OR</p> <ul style="list-style-type: none"> • Consider phasing out compensation rounds given to volunteers.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Management is reviewing various options with the Firewheel Golf volunteer leadership group. We are also surveying other golf operations to determine best practice and changes will be implemented later next year.
IMPLEMENTATION DATE	October 1, 2016

FINDING #5 (OBJ. 2)	
CONDITION (THE WAY IT IS)	IA was unable to verify if all of the user access rights to the Point of Sale System (Club Prophets) were accurate. IA was also unable to verify if adjustments/cancellations made in the POS were reviewed for appropriateness.
CRITERIA (THE WAY IT SHOULD BE)	<p>Access rights to the POS should be regularly reviewed for segregation of duties concerns, specifically for administrators and managers. No one individual should have:</p> <ul style="list-style-type: none"> • Custody of assets • Authorization or approval of related transactions affecting those assets • Recording or reporting of related transactions <p>If access by administrators and managers is necessary, adjustments and cancellations should be regularly reviewed by an outside party for appropriateness.</p>
EFFECT (SO WHAT?)	If segregation of duties issues are not correctly set up and monitored, asset misuse and/or financial misstatements are possible.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	There was a recent POS system upgrade which caused a problem with reporting. Due to this, we were unable to review access rights.
RECOMMENDATION	<p>Firewheel management should work with Club Prophets to get the reporting errors corrected. This report should be run periodically to ensure proper segregation of duties and access rights based on least-privilege.</p> <p>If this is not possible, management should work on developing an in-house report to monitor user access periodically.</p>
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Staff has confirmed that all current user access is valid. Currently working with Club Prophets to properly report existing user access rights.
IMPLEMENTATION DATE	March 1, 2016

FINDING #6 (OBJ. 3)

**CONDITION
(THE WAY IT IS)****Cash Handling Concerns:**

1. Personal Identifying Information (PII), such as credit card information, names and addresses, was not secured at the Tournaments & Events Manager's desk.
2. Daily deposits are not picked up by an armored car service.
3. The approval process for purchases made using the Sam's Card and is not documented. The process to activate/deactivate and account is not always consistent and/or documented.

**CRITERIA
(THE WAY IT SHOULD
BE)****Cash Handling:**

1. Personal Identifying Information (PII) should be secured.
2. Per Finance Directive 1, "deposits will be picked up daily at designated points via armored car service."
3. The approval process for both purchases made using the Sam's Card and the activation/deactivation of accounts should be documented and followed.

**EFFECT
(SO WHAT?)****Cash Handling:**

1. Customer's PII could be compromised.
 2. Potential theft and endangerment due to the transferring of daily collection funds.
 3. Unauthorized Sam's purchases could go undetected if purchases are not reviewed for appropriateness. Inappropriate accounts could be opened without proper authorization. Accounts could be kept open after an employee is terminated.
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CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	<ol style="list-style-type: none"> 1. Locking the drawers with tournament/event information was not considered. 2. Due to the cost of hiring an outside vendor, daily collections are deposited by a COG employee. 3. The documenting of the Sam's card processes was not considered.
RECOMMENDATION	<p>Firewheel Management should:</p> <ol style="list-style-type: none"> 1. Ensure that all drawers containing sensitive data are consistently locked. 2. Consider scheduling an armored car service to pick up daily deposits. 3. Document the policies/process to set up a Sam's card, activate/deactivate users, make purchases, and pay invoices.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	<ol style="list-style-type: none"> 1. Obtained locking file cabinets in order to secure sensitive information. 2. The City of Garland is reviewing the possibility of an armored car pick up service at Firewheel. 3. Will develop processes similar to P-Card policy and restrict purchases to resale only. Will not authorize any new Sam's Club cards to be issued.
IMPLEMENTATION DATE	February 2016

FINDING #7 (OBJ. 1)	
CONDITION (THE WAY IT IS)	A third-party database, which is not supported by the City, is being used to document and record tournament and event information. This database is web-based and data is not being securely stored and/or backed up on a City server.
CRITERIA (THE WAY IT SHOULD BE)	All Firewheel data should be securely stored and backed up on a City server that IT manages.
EFFECT (SO WHAT?)	<ul style="list-style-type: none"> • In the event of a system failure, Firewheel data may be compromised or lost. • No risk assessments have been performed regarding the security of the third-party database; therefore we are unable to ensure that data remains confidential.
CAUSE (DIFFERENCE BETWEEN CONDITION & CRITERIA)	Firewheel management was unaware that a third-party database was being used by the Tournaments & Events Manager.
RECOMMENDATION	Firewheel management should ensure that no third-party databases are used. All data should be entered and stored on the POS system, which is backed up daily by the City's IT Department.
MANAGEMENT RESPONSE	Concur
ACTION PLAN	Discussed issue with the employee and the third party database is no longer being utilized. Data is now being entered and stored on the POS and a new City outlook tournament/events calendar is in place.
IMPLEMENTATION DATE	Completed

Exhibit A – Sampling Methodology

Alcohol Inventory/Spoilage

Out of 49 weeks within the testing period, we judgmentally selected 10 (or 20%) of weekly inventories to review. We focused on the more recent inventories due to the shifting of responsibilities on June 1, 2015 between Branding Iron and Grill 64. The results can be projected to the intended population.

TABC Certificates & Background Checks

For background checks, we selected an interval (every 3rd) sample of 16 employees out of 47 (or 34%) who had not been tested during our last audit (FY2014) for our Background Check test. For TABC Certification test, there were 15 employees who required a TABC certification (Line cooks, golf professionals and other people not involved in the serving of alcohol do not require one). From this list, we selected all of these employees that may potentially need a TABC Certificate for our TABC Certification test. We wanted to ensure that current employees (that were not selected last year), met the current requirements. The results can be projected to the intended population.